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RUEHCV/AMEMBASSY CARACAS PRIORITY 1422  
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RUEHMN/AMEMBASSY MONTEVIDEO PRIORITY 9757  
RUEHQT/AMEMBASSY QUITO PRIORITY 2620  
RUEHSG/AMEMBASSY SANTIAGO PRIORITY 2456  
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C O N F I D E N T I A L LIMA 000847

SIPDIS

SECDEF PLEASE PASS TO DASD MORA

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TAGS: [PGOV](#) [PREL](#) [MASS](#) [MOPS](#) [SOCI](#) [PTER](#) [SNAR](#) [PE](#)  
SUBJECT: SCENESETTER FOR DASD FRANK MORA

REF: A. LIMA 0844  
[B.](#) LIMA 0843  
[C.](#) LIMA 0816  
[D.](#) LIMA 0817  
[E.](#) LIMA 0822  
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[I.](#) LIMA 0793  
[J.](#) LIMA 0777

Classified By: Ambassador P. Michael McKinley for  
reasons 1.4 (b) and (d).

[11.](#) (C) Summary: Embassy Lima welcomes Deputy Assistant Secretary of Defense Frank Mora to Peru and to the June 18-19 Peru-US Defense Bilateral Working Group (BWG). Peru is a close U.S. partner in a complicated South American region. Our bilateral relationship is anchored in a shared vision of opportunities and challenges - specifically, that a pro-growth strategy is best suited to reduce poverty, and that strengthening institutions is the most effective way to confront drug-trafficking, terrorist remnants and, ultimately, reduce support for political populism. Although Peru's strong macro-economic performance has limited the negative domestic effects of the international slowdown, Peru's security remains challenged by both internal and external forces. These forces were plainly reflected in the recent violent protests (reftels) in the Amazon regions. Your Peruvian interlocutors will be seeking your help in defining their priorities as they seek to address Peru's security challenges. End Summary.

[12.](#) (C) Peru is a close U.S. partner in a South American region characterized by contrary political cross-currents. On one side is the "Bolivarian" project embodied by Governments of Venezuela, Bolivia and, to a lesser extent, Ecuador. On the other side stands Peru, along with Chile, Colombia, Mexico, Brazil and others. Emblematic of the pragmatic approach, Peru has actively opened its doors to foreign trade and investment -- signing free trade agreements not only with the U.S., but also Canada, China, Korea and a number of other countries -- and sought to consolidate its still fragile democratic institutions with incremental reforms rather than sweeping visions. While there is still some confusion surrounding the exact causes of the outbreak of violence in Peru's Amazon region last week (reftels), the

severity and organized nature of the clashes are an indication that Peru's stability is by no means assured, especially if outside interference is at play.

¶3. (SBU) Our partnership with the Government Peru is anchored in a similar vision of the opportunities available to us and the challenges facing us here in Peru and throughout the region. For example, we see eye to eye with the government regarding the central importance of a pro-growth strategy in reducing poverty and inequality. There has been some progress on this front. Peru's strong economic growth, averaging approximately 5% over the past eight years, has begun to chip away at poverty -- which fell from 54% in 2003 to 39% in 2007. Peru's longer-term challenge is to ensure that the benefits of sound economic management and continued growth are better distributed and accrue to all Peruvians, especially the poor. In this sense, Peru is in a kind of race against time to make sure the benefits of the pragmatic model are sufficiently widespread so as to prevent the political rise of a serious anti-system political movement in the 2011 national elections.

¶4. (SBU) We also support the government in confronting drug trafficking and remnant Sendero Luminoso (SL) terrorist elements -- the other central challenges to Peru's continued advancement. To this end, we are working with the Peruvian government to strengthen still fragile public institutions, including security forces; to improve the service delivery capabilities of democratic government, from the national to the municipal and district levels; and to expand state presence into remote areas where criminals and small numbers of terrorists influence economic activity, including by trafficking drugs. In short, we also agree with the government that improving peoples' economic prospects and helping government institutions better deliver needed services -- from security to health and education -- is the most effective way to counter latent support for populist political projects, in Peru and throughout the region. In this sense, we see Peru's continued success as carrying a wider regional significance

¶5. (SBU) Peru's strong macro-economic performance has limited the domestic effects of the international slowdown, even as export earnings have fallen, some jobs have been lost in key mining and textile sectors, and the local stock market has followed volatile global trends. Peru's high foreign exchange reserves, low debt and limited exposure to the core structural causes of the crisis, particularly toxic real estate assets and other risky credit, have enabled it to weather the storm relatively smoothly so far. Many analysts believe that projected growth this year (3-4%) will be the highest in Latin America.

¶6. (C) We expect that the BWG talks will reveal a substantial overlap between the Peruvians' vision of their security and that of the United States. In a number of areas, we are likely to lay out similar visions of how our governments conceptualize the present security environment in South America, the Western Hemisphere and the world, particularly with respect to trans-national threats such as narcotrafficking, terrorism, smuggling and trafficking in persons. For example, we desire to strengthen our shared national security interests through a robust security cooperation effort that improves the government's counter-narco-terrorism (CNT) capabilities while also increasing interoperability between our forces. On the other hand, Peru's historical animosity towards Chile is a sensitive topic. In general terms, however, we believe that a candid exchange regarding shared threats, and our interest in catalyzing or complementing serious GOP efforts in the key CNT area, would be particularly useful.

¶7. (U) Welcome to Peru.  
MCKINLEY